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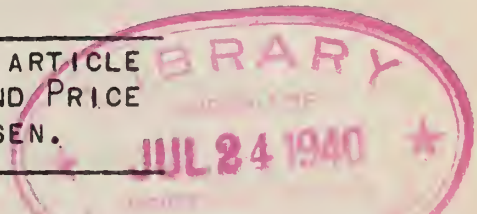
BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

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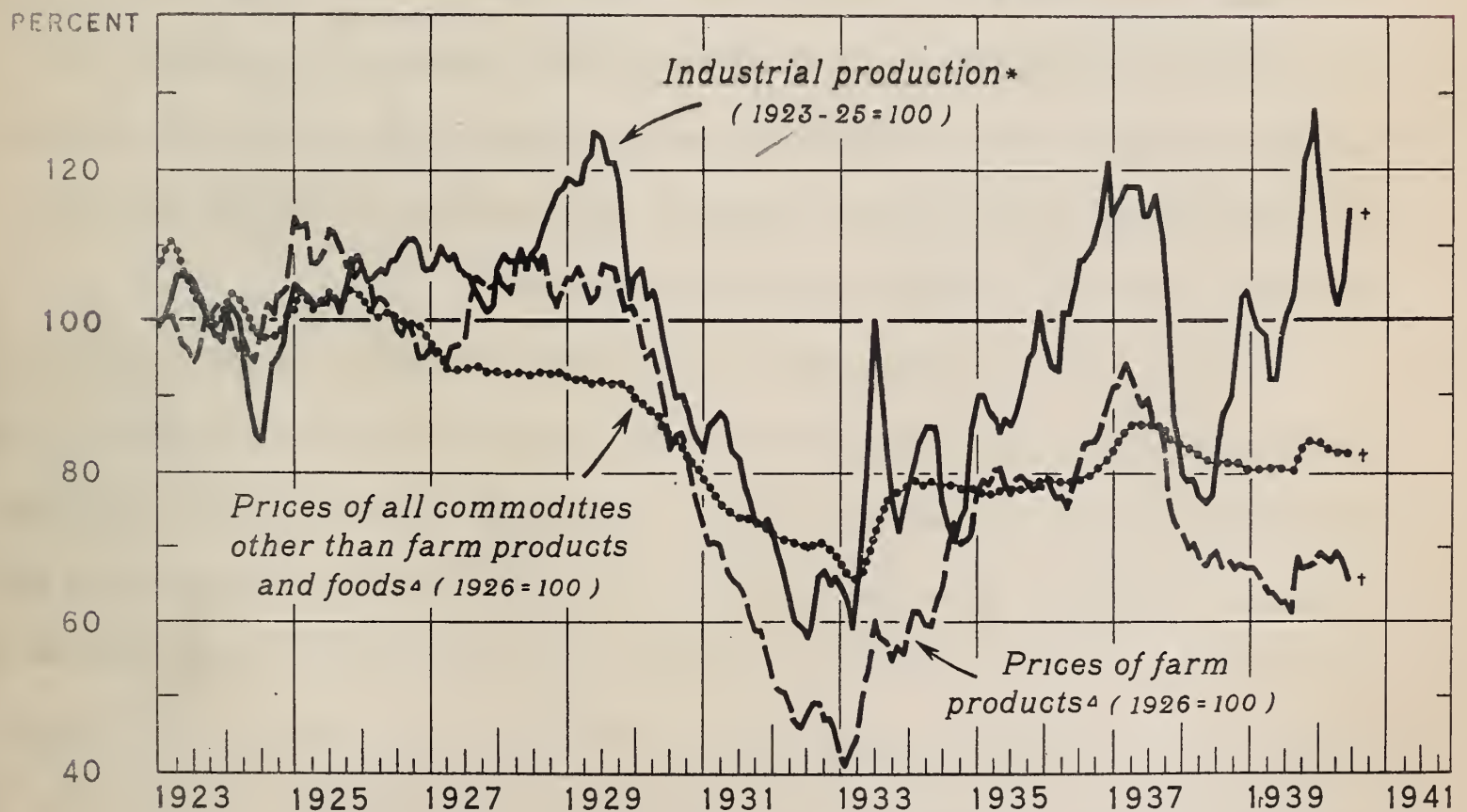
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THIS ISSUE CONTAINS A SPECIAL ARTICLE
ON THE DEFENSE PROGRAM AND PRICE
INFLATION, BY F. L. THOMSEN.



INDUSTRIAL PRODUCTION AND WHOLESALE PRICES, INDEX NUMBERS, UNITED STATES, 1923-40



* DATA FROM BOARD OF GOVERNORS OF FEDERAL RESERVE SYSTEM (ADJUSTED FOR SEASONAL VARIATION)

^ DATA FROM BUREAU OF LABOR STATISTICS

† PRELIMINARY

U. S. DEPARTMENT OF AGRICULTURE

NEG. 38493 BUREAU OF AGRICULTURAL ECONOMICS

THE GENERAL LEVEL OF COMMODITY PRICES HAS BEEN LITTLE AFFECTED BY TWO PERIODS OF HEAVY INDUSTRIAL ORDERING DURING THE PAST YEAR. WHOLESALE PRICES DO NOT APPEAR IN DANGER OF ANY SERIOUS DECLINE UNLESS THE ENDING OF THE EUROPEAN WAR SHOULD INITIATE A PERIOD OF INVENTORY LIQUIDATION. SUPPORTING FACTORS IN THE GENERAL PRICE SITUATION INCLUDE THE OUTLOOK FOR CONTINUATION OF UNITED STATES INDUSTRIAL ACTIVITY AT A RELATIVELY HIGH RATE AND IMPROVING DOMESTIC CONSUMER DEMAND. FOR FARM PRODUCTS, THE GOVERNMENT LOANS ARE AN ADDITIONAL SUPPORTING INFLUENCE.

SUMMARY

Improvement in business conditions affecting the domestic demand for farm products continued into July. Industrial employment and payrolls have risen along with the expansion of industrial output since April. The domestic consumer demand for meats, dairy and poultry products, fruits and vegetables has been strengthened by this recent stimulation of domestic business and is expected to be better during the last half of 1940 than during either the final half of 1939 or the first 6 months of 1940.

There are indications, however, that the recent rate of improvement in demand conditions is slowing down. The major portion of the present rise in industrial production may be already over. Whether this slower rate of rise will be followed later by further gains or by a temporary relapse is dependent in considerable degree on continuation of the war by Great Britain, our most important overseas customer.

Farm product exports have been further curtailed by the closing of additional continental European markets. In general, the loss of these markets will continue without effective offsets for the duration of the war, though stoppage of supplies of dried and canned fruits and vegetables from the Mediterranean area may later result in larger United States exports of these products than in recent months. Similarly, the stoppage of former European export supplies of pork may divert some business to the United States. Evaporated milk exports from the United States have already been increased owing to stoppage of continental export supplies. On the whole, the outlook for farm product exports is highly unsatisfactory both for the immediate and longer-time future. The situation looks particularly bad for cotton, our most important export crop.

Wholesale commodity prices receded further in June but at a slower rate than in May. Agricultural prices were again the weakest group although some improvement, particularly in livestock prices, appeared toward the end of June. Though commodity prices appear low relative to the expanded rate of industrial activity (see cover chart) there is little reason to anticipate any early marked inflationary price advance. Two periods of inventory building within the past year have failed to bring about such a rise. Important export markets have recently been closed, and, except for some products needed in armaments, production capacities are not in immediate danger of being strained.

Farm prices showed mixed trends in July with grains, fruit and vegetables lower, and meat animals and eggs higher than in mid-June. Farm income, which had been reduced in June by low meat animal prices and failure of new wheat marketings to start as early as usual, probably will rise in July by at least the amount which is usual for this season.

The situation by commodities is as follows:

- Wheat:** Domestic wheat prices have continued the decline toward the new crop basis, but they are still above prices a year ago. Contributing to the higher level is a smaller prospective world crop, high prices in Argentina resulting from very small remaining supplies, and fixed prices in Canada.
- Cotton:** Domestic cotton mill activity has recently increased and further gains are expected as the defense program progresses. Domestic exports, on the other hand, have been exceptionally low in recent weeks, especially so during the week ended July 11. The reduced exports and the unfavorable export outlook were factors contributing to a decline of about 2/5 cent in domestic cotton prices from June 15 to July 14. Middling 15/16 inch which averaged 10-1/3 cents on the latter date was, however, about 2/5 cent above a year earlier.
- Feed grains:** If 1940 crops turn out about as indicated on July 1 the supply of feed grains will be the largest since 1932-33, except for supplies last year, and the 1940-41 hay supply will be the largest since 1927.

- Hogs: The 1940 spring pig crop totaling 48 million head was about 8 percent smaller than the 1939 spring crop. Indications are that the 1940 fall pig crop may be about 12 percent smaller than that of a year earlier. These decreases in the 1940 pig crops will result in a material reduction in slaughter supplies of hogs during the 1940-41 hog-marketing year. Hog prices advanced sharply in late June and early July.
- Beef cattle: Slaughter supplies of cattle are expected to increase seasonally throughout the balance of the summer and early fall, but total marketings may be a little smaller in the last half of the year than in the corresponding period of 1939. A marked decrease occurred in inspected cattle slaughter in June, and prices of most grades of slaughter cattle advanced sharply in the last week of June and in early July.
- Lambs: Slaughter supplies of sheep and lambs probably will be a little larger than a year earlier during the remainder of the grass-lamb marketing season. Prices of slaughter lambs tended to decline seasonally during most of June and early July but remained substantially above prices of a year earlier.
- Wool: An increase in domestic mill consumption of wool is in prospect for the second half of this year. This will be a strengthening influence on domestic wool prices. But price changes in coming months will depend largely upon foreign developments. Domestic wool prices advanced 1 to 5 cents a pound, grease basis, in June. The advance in prices accompanied increased mill buying of raw wool to fill Government contracts for wool goods. Wool prices weakened slightly in late June as mill buying declined.
- Butter: The seasonal decline in butter prices is over and prices are considerably higher than in the summer of 1939. The outlook is for prices during the last half of 1940 to average higher than in the last half of 1939. Improvement in consumer demand is expected to more than offset the effect of somewhat larger production on butter prices.
- Poultry and eggs: Supplies of chickens and eggs during the last half of this year are expected to be smaller than in the corresponding months of 1939. As a result, prices of both chickens and eggs may tend to rise relative to prices a year earlier.
- Oilseeds, fats, and oils: Except for butter, fish oils, and linseed oil, prices of domestic fats, oils, and oilseeds were at unusually low levels in June, chiefly because of large supplies in the United States and the closing of continental European markets to world trade. Some improvement in the lard price situation is indicated by the prospective reduction in the pig crop this year, which will be reflected in reduced lard output in the

hog-marketing season beginning next October. On the other hand, further increases in the production of soybeans and soybean oil are indicated for the 1940-41 season.

Fruit: Although fruit production in general is indicated to be slightly smaller than a year earlier, the prospect is that the volume of fresh fruit available for the domestic market will be slightly larger owing to probable reduced canning and drying.

Truck crops and potatoes: Truck crop marketings are nearing a seasonal peak and the prospect is for abundant supplies during the remainder of 1940. Market prices have declined sharply in recent weeks. Supplies of potatoes for summer marketing are larger than a year earlier, but the prospective supply for the fall and winter months is slightly smaller.

DOMESTIC DEMAND

Industrial production, employment, and payrolls continued to rise into July. There are indications, however, that any further improvement in these conditions affecting the domestic consumer demand for farm products will be more gradual than in recent weeks. If the present rise should be overdone, or if British war orders for industrial products should be canceled before our domestic armaments program gets far into active operation, a temporary decline might occur.

Changes in industrial activity affect business sentiment, but this in turn affects industrial activity. Last fall many people expected a war boom, which led to increased buying and inventory accumulation, accentuating the rise of industrial production which had been in progress since spring. When it became apparent that the effects of the war on the United States economy were not to be as stimulating as many had expected, the optimism in many quarters was turned to pessimism. The building up of inventories ceased, and there was a sharp decline in the output of industrial products, which carried production below consumption in some important lines such as steel. When the war fronts became active this spring the optimism quickly returned. Increased foreign buying of war materials, coupled with a resumption of ordering by domestic buyers, started an upswing which was accelerated by anticipations of the effects of our domestic defense program. Many observers now are anticipating a continuing industrial boom of large proportions as a result of the additional Government expenditures for armaments.

It is well to note at this time, however, that the increase of industrial production which has occurred during the past 2 months has reflected mainly the anticipation of and not the direct effects of defense expenditures. Buyers of some industrial products, particularly steel, apparently became fearful of difficulties in obtaining deliveries, or of the assumed price-inflationary effects of the defense program. These fears were partly responsible for a large increase in orders for some materials. Steel output increased sharply, and this was mainly responsible for the steep rise of the Federal Reserve index of industrial activity since May.

Sober consideration indicates that it will probably require many months before volume manufacturing operations on additional defense equipment of the heavier types can get under way. Increased buying by Great Britain thus far has done little more than offset the loss of French purchases, and little if any further stimulation from foreign war orders is in prospect. Some additional business may come from the neutral nations which formerly purchased industrial products from European suppliers now cut off, but the volume of this business will be limited by the difficulty in finding means of payment. Automobile production has been maintained at a high level for many months, and additional stimulation from this source is not likely. The same applies to petroleum; and recent European developments have decreased prospects for rapid increases in the output of copper and some other raw materials. Government orders have given a much needed stimulus to the textile industry; this industry, however, had been in a period of declining operations since December. Residential building operations have been good in the last half of 1939 and the first half of 1940, and further sizeable increases do not seem probable at this time. Moreover, even if much additional business were available, the present rate of steel output could not be greatly increased for any considerable length of time without an increase of capacity. Although the present backlog of steel orders together with production for 1941 automobile models and other business in prospect should keep the steel plants operating around present rates at least until fall, no large sustained addition to present output is indicated.

In view of these conditions, any marked additional rise in measures of industrial activity during the next few months cannot be looked for. The indirect effects of the increase to date, however, should result in some further rise in employment and payrolls in secondary lines such as service occupations, and we may have some additional improvement in the domestic demand for farm products even if industrial activity does not gain much more.

If Germany should be successful in invading Great Britain or should the war be otherwise brought to an early conclusion, the present large volume of export business in steel and numerous other industrial products would be reduced. Part of this business no doubt would be taken over for domestic defense purposes, and the effects on domestic business activity might be rather small if business sentiment and buying were not affected too greatly. Nevertheless, it now seems probable that such an event would bring a temporary decline of industrial production.

During the calendar year 1939 total industrial exports to Europe amounted to well over three-quarters of a billion dollars, of which more than a third went to the United Kingdom. Partly offsetting the loss of this business, if it should occur, will be the increased volume of exports to South America and other regions now cut off from European sources of supply, although Germany might be able to resume shipments rather quickly if the British fleet were immobilized.

This potential loss of industrial exports to Europe may be contrasted with rough estimates of the increase in the net contribution to domestic purchasing power which will result from the first year of operation of the defense program, amounting to something like one and a half to two billion dollars,

although lack of definite information regarding how much of the defense appropriations can actually be spent make any such estimate subject to wide error. In addition, private business may spend several hundred million dollars of new funds for additional plants and equipment necessary in filling the Government orders. It will be seen that the increased defense expenditures eventually should considerably more than offset the loss of exports of industrial products to Europe. Although the difference during the first year, and particularly the remainder of 1940, would not be great, eventually the defense program should overcome any temporary effects of possible additional export losses, or of downward adjustments of production which might be necessary to bring production in line with consumption if the present wave of inventory buying by domestic business firms is carried much further.

In view of all of these facts and possibilities, it appears reasonable to expect a higher level of consumer incomes, and a better domestic demand for farm products, during the remainder of 1940 than in either the last half of 1939 or the first half of 1940.

EXPORT DEMAND

The spread of war to most of continental Europe and the capitulation of France has closed export markets which formerly absorbed one-quarter of United States total merchandise exports. Export statistics for May do not disclose the full extent of these losses, since several of the more important markets which are now closed were still open during May and some of them for a portion of June.

Foreign trade statistics for May, however, do reveal serious losses in export demand for several important groups of agricultural products, some of which had been exported in large volume until recently. For instance, soybean exports in May amounted to only 10,000 pounds as compared with 27 million pounds in May 1939. Scandinavia and the Low Countries had been the principal buyers. Meat product exports fell from 17 million pounds in May 1939 to 7 million in May of this year, and lard exports were similarly affected. Canned fruit exports in May 1940 were less than 10 percent as large as a year earlier and dried fruit exports were only one-seventh as large as a year earlier. The reduction in meat exports, in particular, was due more to wartime trade controls and adequate supplies in other surplus areas than to inaccessibility of markets. Import restrictions also were a factor in reducing foreign demand for fruits but continental European markets recently closed were important outlets for these United States agricultural products.

The loss of foreign markets for United States agricultural products makes certain greatly reduced exports of practically all important items, at least while the war continues. As mentioned in this report last month, the closing of continental European markets is particularly serious in regard to export prospects for cotton, tobacco, soybeans, and fresh fruits except citrus. Canned fruit and vegetable and dried fruit exports from the United States may eventually be increased owing to the closing of Mediterranean sources of supply.

Pork and lard requirements of Great Britain probably will continue to be obtained in large part from empire sources, although purchases of these United States products may not remain as low as they have been recently. A sizeable

order for United States lard was recently placed by the British Government. Evaporated milk exports from the United States have been stimulated by closing of European sources of supply.

WHOLESALE COMMODITY PRICES

Wholesale commodity prices have in general fluctuated narrowly during the past month despite European war developments. As measured by the Bureau of Labor Statistics weekly indexes of wholesale prices there was no change either in farm product prices or in prices of all commodities other than farm and food products between the week ended June 8 and that ended July 6. The weakness in farm product prices which appeared in early May continued during the first 3 weeks of June. But the June losses have been offset by the recent strength in livestock and livestock product prices.

Prior to the upturn in the general level of wholesale prices in the week ended July 6 the Bureau of Labor Statistics index had reached 77.1 percent of the 1926 average, the lowest since last September, just before the outbreak of war in Europe.

Agricultural product prices over the past month have reflected favorable crop prospects and the approach of harvest by some decline in grains, although improved consumer demand has been a factor in the strengthening of livestock and livestock product prices. Cotton prices have changed little despite the bleak outlook for sales abroad, partly because of the small "free" supply available for purchase by domestic buyers.

Either actual termination of the war or widespread belief among business men that its end was imminent might create a situation in which commodity prices would weaken temporarily. But otherwise, the low level of prices relative to the general rate of industrial activity (see cover chart) and favorable prospects for maintenance of productive activity, together with improving consumer demand, should prevent any material decline in the general price level. Loan values are an additional supporting influence on farm product prices.

PRICES RECEIVED AND PAID BY FARMERS

The index of prices received by farmers in July was about the same as in June, according to preliminary indications. Effects of a sharp rise in hog prices and smaller gains in prices of eggs, butterfat, and a few other items were apparently offset by some decline in prices of grain and substantial losses in fruit and vegetable prices. Changes in prices of cotton and livestock other than hogs were small.

The general level of farm prices in June, at 95 percent of the 1910-14 average as compared with 98 in May and 89 in June 1939, was the lowest since last September. The ratio of prices received to prices paid by farmers was 77 percent of the 1910-14 average in June, a drop of three points from May but still three points above the June 1939 index.

FARM INCOME

A decline in marketings and lower prices of meat animals in June and a reduction in the marketings of wheat in contrast to the usual seasonal increase

were important factors in the slight decline in farm income from May to June. During the previous 4 years income in June has averaged about 8 percent higher than in May. Sales of peaches and early apples in June also were much smaller than usual because of the lateness of the crop. Income from dairy products and vegetables made about the usual seasonal change from May to June, but both marketings and prices for many other products declined slightly more than seasonally. Government payments also were relatively low in June. Preliminary indications are that farm income including Government payments this June was not greatly different from the 583 million dollars received by farmers in June 1939.

Market prices of wheat are somewhat below loan values, so that the level of farm income from wheat in July will be affected to some extent by the rate at which loans are made on new wheat. Sharp declines in prices of fruit and truck crops from June to July as supplies recover from the effects of early spring freezes, also will affect the level of farm income; but with prices of meat animals and poultry and eggs somewhat higher and with sharp increases in marketings of grains, fruits, and vegetables in prospect during July, farm income is likely to make at least the usual seasonal increase from June and be somewhat higher than a year earlier.

COTTON

The substantial advance in domestic cotton prices in the first half of June was followed by a considerable decline, with spot prices in domestic markets on July 15 approximately one-third cent lower than on June 15. Middling 15/16 in the 10 designated markets on July 15 averaged 10.41 cents, compared with 10.77 cents on June 15 and 9.78 cents for the week ended June 16, 1939. The decline in the past few weeks was probably due in part to reduced exports and the unfavorable export outlook. These factors appear to have more than offset the strengthening effects of increased domestic business activity.

Following a brief period of heavy business during the second week of June, manufacturers' sales of cotton goods have since been small and considerably below production, as was generally true for the preceding several months. Nevertheless, cotton mill activity adjusted for seasonal variation has recently increased and further gains are expected as the Defense Program progresses. The recent extension of the Export Payment Program on cotton goods is also a factor favorable to domestic cotton mill consumption.

British mills continue to operate at a very high rate and are consuming more American cotton this season than in any year since 1928-29. Mills operating on Government contracts are reported as running at capacity. In Japan cotton mill consumption appears to have been further restricted in recent weeks.

With the further extension of the blockaded area, exports of American cotton have been exceptionally small during the past 5 weeks. In 3 of these weeks exports were 18 to 41 percent smaller than the unusually small exports during the corresponding weeks last year. For the week ended July 11 exports totaled only 13,000 bales, and probably were the smallest for any week since the beginning of the World War in 1914. Total exports from August 1, 1939 to July 13, 1940 of 6,039,000 bales were 83 percent larger than the 3,300,000

bales exported in the comparable period a year earlier, but considerably smaller than the average for the preceding 5 years.

The area in cotton in the United States on July 1, 1940 was recently officially estimated at 25,077,000 acres. This is slightly (1.6 percent) larger than that of 1939 but 28 percent less than the 10-year (1929-38) average. This acreage was apparently about in line with general expectations among trade observers.

WHEAT

Domestic wheat prices have continued the decline toward the new crop basis, but they are still above the levels of a year ago. The average of all classes and grades for the week ended July 6 at 74 cents was about 7 cents lower than for the week ended June 8, with No. 2 Hard Winter at Kansas City about 7-1/2 cents, No. 2 Red at St. Louis about 11 cents, and No. 1 Dark Northern Spring at Minneapolis about 4 cents lower. September futures at Chicago for the week ended July 6 at 77 cents were 4 cents lower than a month earlier and for the week ended July 13 at 75 cents were 6-1/2 cents lower than for the week ended June 15. During the past month the production estimate for winter wheat was increased 35 million bushels to a total of 524 million bushels, whereas the estimate for spring wheat was reduced 34 million bushels.

Current domestic cash prices for all classes and grades average about 5 cents higher and September futures at Chicago about 8 cents higher than a year ago. On the other hand, cash prices are about 5 cents under loan values. Contributing to the higher level is a smaller prospective world crop, high prices in Argentina resulting from very small remaining supplies, and fixed prices in Canada. During the past 2 years when loans have been available, growers have increased the quantity of wheat they placed under loan as prices fell below loan values. This served to check the downward tendency, and later to strengthen prices.

The domestic wheat supply for the 1940-41 season now seems likely to be about 1 billion bushels, about the same as for the marketing season ended June 30. The condition of the wheat crop on July 1 has been interpreted to indicate a probable outturn of about 729 million bushels (about 1 million bushels more than indicated a month ago), and available data as to the utilization and supplies of old wheat indicate a probable carry-over of about 280 million bushels. With the domestic utilization of wheat in the new marketing season expected to approximate 675 million bushels, the supply available for export and carry-over would be about 335 million bushels, or about the same as a year ago. Exports in 1939-40 are estimated to have been about 46 million bushels. With United States export prospects this year less favorable, the carry-over July 1, 1941 probably will be larger than the estimated 280 million bushels carried over July 1, 1940.

World wheat supplies, excluding Soviet Russia and China, for the year beginning July 1, 1940 may be 100 to 200 million bushels smaller than a year earlier, when they totaled 5,459 million bushels, the largest supply on record. As a result of the large world crop in 1939, the world carry-over on July 1, 1940 is estimated at about 250 million bushels larger than the estimated

1,189-million bushel carry-over on July 1, 1939, but the 1940 world crop may be reduced by between 350 and 450 million bushels from the estimated 1939 crop of 4,270 million bushels. Although information on which to base an early indication of world supplies is scantier than usual this year, the information available points to a reduction in world wheat acreage for the 1940 crop and smaller yields per acre in important European producing areas.

CORN AND OTHER FEED GRAINS

Supplies of feed grains and forages will again be ample for the number of livestock to be fed during 1940-41 if July 1 indications materialize. A 1940 corn crop of 2,416 million bushels was indicated July 1. This together with the prospective carry-over would give a supply between 3.0 and 3.1 billion bushels, compared with 3,192 million bushels last year. The supply, excluding corn sealed or held by the Government, may be over 300 million bushels smaller next October 1 than last. The 1940-41 oat supply is now indicated to be 1,178 million bushels and the 1940-41 barley supply 345 million bushels. If the grain sorghums' crop is about average, the total supply of these four feed grains will approximate 116 million tons. This would compare with 117 million tons last year and, with the exception of last year, would be the largest supply since 1932-33.

Prospects are unusually favorable for 1940-41 supplies of forage crops. The July 1 indicated production of tame and wild hay was 94 million tons. The May 1 carry-over was about 11 million tons, making an indicated total supply of 105 million tons. This would be the largest supply since 1927 and would be more than adequate for the number of hay-consuming animal units on farms. Pasture conditions for the country as a whole were 83 percent of normal on July 1, compared with 78 percent of normal last year, and 73 percent of normal for the 1929-38 average.

Prices of feed grains remained comparatively steady from mid-June to early July. For the week ended July 6 the price of No. 3 White oats at Chicago was 34 cents per bushel, 1 cent per bushel lower than a month earlier, but 10 cents lower than in mid-April. No 3 barley at Minneapolis averaged 45 cents per bushel, 3 cents lower than a month earlier and 12 cents lower than in mid-April. The price of corn for the week ended July 6 was at about the mid-April level of 65 cents per bushel but about 3 cents below prices in mid-May. It now appears that oats and barley prices may have made much of their adjustment to a new crop basis. The prospects for the 1940 corn crop and developments in Europe will be dominating factors influencing domestic feed grain prices during the next few months.

HOGS

The decrease in the 1940 spring pig crop and the prospective decrease in the 1940 fall pig crop indicate that slaughter supplies of hogs in the 1940-41 hog-marketing year, which begins October 1, will be substantially smaller than in the current marketing year. It is probable that inspected hog slaughter in 1940-41 will be around 10 percent smaller than the slaughter of about 48 million head this year.

Most of the reduction in hog marketings in 1940-41 from a year earlier probably will occur after November or December. In view of the unfavorable relationship of hog prices to corn prices many farmers will market spring pigs early. This will mean that during the first quarter (October-December) of the 1940-41 marketing year, supplies may be about as large as a year earlier.

The 1940 spring pig crop was estimated to be about 48.0 million head, a decrease of 4.3 million or 8 percent from the 1939 spring crop. Decreases from a year earlier were reported in all regions, with the largest percentage reduction in the South. On the basis of breeding intentions reported by farmers on about June 1 and other indications, it is estimated that the number of sows to farrow this fall will be about 12 percent smaller than in the fall season of 1939. This indicates a fall pig crop of around 27.8 million head compared with 32.0 million head in the fall of 1939. The combined spring and fall pig crops of 1940 are expected to total about 75.8 million head compared with the 1939 crop of 84.3 million head. The crop this year will be about 10 percent less than the 1939 crop, but only about 3 percent below the pre-drought (1929-33) average.

Hog prices advanced sharply in the last week of June and early July after declining almost continuously during May and most of June. The advance reflected chiefly a seasonal decrease in slaughter supplies, some improvement in domestic consumer demand for meats, relatively large British purchases of lard and the prospects for a decrease in hog slaughter next year. The average price of butcher hogs at Chicago for the week ended July 6 was \$5.95, about 90 cents higher than the low point reached 2 weeks earlier but a little over \$1.00 lower than in the corresponding week of 1939. Hog prices weakened a little during the second week of July, after reaching a top of \$7.00 at Chicago on Monday, July 8. This is the highest level hog prices have reached since early last November.

A moderate decrease occurred in the weekly rate of hog slaughter during the last half of June and the first week of July. Federally inspected slaughter of hogs during June, totaling 3,886,000 head, was slightly smaller than in May but 22 percent greater than in June last year.

BEEF CATTLE

Slaughter supplies of cattle are expected to increase seasonally throughout the balance of the summer and early fall. Marketings of grain-fed cattle may not be so large during July and August as they were a year earlier, and unless serious drought conditions should develop, marketings of other cattle also may be smaller than a year earlier during the remainder of the year. In the last half of 1940, slaughter supplies of all cattle are expected to be a little smaller than in the corresponding period of 1939. It also is expected that cattle prices will be supported by stronger consumer demand for meats during this period than a year earlier.

After declining during most of May and June, prices of most grades of slaughter cattle advanced substantially in the last week of June and in early July. The average price of good grade beef steers at Chicago for the week ended July 6 was \$10.45, about 90 cents higher than a month earlier and about

\$1.05 higher than in the corresponding week of 1939. Prices of feeder cattle declined sharply during May and June and are now not so high in relation to prices of slaughter cattle as they were a few months earlier. The average price of feeder steers at Kansas City for the week ended July 6, of \$8.05, was slightly higher than a year earlier, but it was around \$1.50 lower than the peak reached 2 months earlier.

The number of cattle slaughtered under Federal inspection during June totaled 738,000 head, about 7 percent less than a month earlier and about 5 percent less than a year earlier. For the first 6 months of 1940, inspected cattle slaughter was about 2.5 percent larger than in the corresponding period of 1939, while inspected calf slaughter was not greatly different from that of a year earlier.

LAMBS

Slaughter supplies of sheep and lambs during the remainder of the grass-lamb marketing season (to December 1) probably will be a little larger than a year earlier when dry weather and poor pasture and range conditions resulted in the marketing in only feeder condition of a larger than usual proportion of the lamb crop. The lamb crop developed favorably in most areas of the Range States this spring. Although dry weather was reported over a considerable portion of the Western Sheep States during June, pasture and range conditions in early July were still reasonably good over much of the area. Because of unfavorable spring weather, lambs in the Native Sheep States developed slowly, and the proportion of native lambs marketed after July 1 will be larger than usual this year.

Prices of slaughter lambs tended to decline seasonally during most of June and in early July, but remained substantially above the prices of a year earlier. The average price of good and choice spring lambs at Chicago for the week ended July 6 was \$10.75 compared with \$11.20 for the first week of June and \$10.20 in the corresponding week of 1939. Total inspected slaughter of sheep and lambs in the first half of 1940 was not greatly different from that of a year earlier, but lamb prices for the period averaged substantially higher than in the first 6 months of 1939, largely because of a stronger consumer demand for meats and higher prices for wool this year than last.

Inspected slaughter of sheep and lambs totaled 1,378,000 head during June. This was about 3 percent less than in May and nearly 2 percent less than in June last year.

WOOL

An increase in domestic mill consumption of wool is in prospect for the second half of this year. This will be a strengthening influence on domestic wool prices. The increase in mill consumption is expected to result from larger Government purchases of wool goods under the National Defense Program, and from improvement in consumer buying power accompanied by increased retail sales of wool goods. But price changes in coming months will depend largely upon foreign developments.

Domestic wool prices advanced 1 to 5 cents a pound, grease basis, in June. The advance in prices accompanied increased mill buying of raw wool to fill Government contracts for wool cloth and blankets. With mill needs for army orders generally covered, sales declined in the latter part of June and prices became somewhat irregular. A decline in prices of South American wools contributed to the weakness in domestic prices in the latter part of June. Average prices of domestic wool at Boston in June were mostly 25 to 30 percent higher than a year earlier.

After declining sharply from October through April domestic mill consumption of apparel wool turned upward in May. The May rate of consumption was 22 percent higher than in April but 16 percent lower than in May 1939. Consumption on a scoured basis in the first 5 months of this year was 7 percent smaller than in the same months last year but about 7 percent larger than the average January-May consumption in the 10 years 1929-38.

Supplies of wool remaining for export in Argentina and Uruguay on June 1, totaling 115 to 120 million pounds, were smaller than estimated average June 1 supplies of the last 5 years. But recent European developments probably will prevent further shipments to continental European countries in the remainder of the current season (through September). With most continental European countries now included in the British blockade, the United States, Japan, and possibly the United Kingdom are likely to be the only important buyers of South American wool so long as the blockade is maintained.

BUTTER

The seasonal decline in butter prices is over, and prices are considerably higher than in the summer of 1939. The outlook is for prices during the last half of 1940 to average higher than in the last half of 1939. Improvement in consumer demand is expected to more than offset the effect of somewhat larger production on butter prices.

The late season tended to retard butter production during the spring. In May production was 2 percent less than a year earlier. Weekly reports, however, indicate that in June and early July production was larger than a year earlier. Pastures are better than in the summer of 1939, and there are more cows on farms. It seems probable that production during the late summer and fall will be larger than in the same period of 1939.

Apparent consumption of creamery butter in May was 3 percent less than a year earlier, but the second highest on record for the month. The decline from May 1939 was due to the decrease in the distribution of butter for relief. Trade output through regular commercial channels was about the same as in May 1939. Retail prices in May, however, were 15 percent higher than a year earlier. After allowing for seasonal changes, apparent consumer expenditures for butter in May were somewhat higher than in April. It seems probable that consumer expenditure for butter during the last half of 1940 will be larger than in the same period of 1939.

Cold storage holdings of creamery butter on July 1 were about average for that date in years when Government agencies did not have large holdings.

In late June the Department of Agriculture announced that butter stabilization loans had been approved for the 1940-41 season. A loan of 7 million dollars to the Dairy Products Marketing Association by the Commodity Credit Corporation has been approved for the purchase and storing of up to 25 million pounds of butter. Up through the first week of July, however, no butter had been purchased under this program.

POULTRY AND EGGS

The number of layers on farms in January 1941 is expected to be from 3 to 8 percent less than in January of this year. This estimate is based on the fact that the number of chicks and young chickens in farm flocks on June 1 was 12 percent less than a year earlier. Egg production will probably be slightly smaller in the last half of 1940 than during the same period in 1939.

Since the first of April the into-storage movement of both shell and frozen eggs has been larger than a year earlier, and on July 1 total stocks, including Federal Surplus Commodities Corporation holdings, were 7.6 percent larger than on July 1 last year. Although the quantity of privately-owned shell eggs in storage (i.e., excluding Federal Surplus Commodities Corporation holdings) was smaller than a year earlier, frozen egg stocks were larger, and thus total privately-owned stocks were only slightly smaller than on July 1, 1939.

The decline in the price received by farmers for eggs from mid-May to mid-June was greater than that of a year earlier. However, wholesale egg prices are now beginning to rise seasonally, and local market prices are expected to rise faster during coming months than they did in the fall of 1939.

Marketings of dressed poultry continue slightly larger than a year earlier but are expected to average considerably smaller than those of last year during the latter half of 1940. Storage stocks of chickens on July 1 were smaller than a year earlier, but stocks of turkeys and hens were larger. Total supplies of poultry in the last half of 1940 may be smaller than in the last half of 1939. This will have a strengthening influence on all poultry prices, but turkey prices may be affected adversely by last season's unfavorable storage deal.

The feed-egg ratio is expected to continue less favorable to poultry producers than a year earlier for the next few months.

FATS, OILS, AND OILSEEDS

Prices of most domestic fats, oils, and oilseeds were unusually low in June, chiefly because of large supplies of lard, soybean oil, tallow, and greases in the United States and the closing of nearly all continental European markets to world trade. Prices of some imported oils, on the other hand, were unusually high in June. This was the result of several factors, including the curtailment of imports from Europe (fish-liver oils, olive oil), the blockade of China (tung oil, teaseed oil), and high rates for ocean shipments.

Lard prices which in early June were the lowest since 1933, advanced somewhat in late June and early July. The production of lard has now been restored to about its pre-drought level. But exports, which in the pre-drought period accounted for approximately 30 percent of the total output, have been reduced to about one-tenth of the production. Increased competition from low-cost vegetable oils and whale oil abroad, together with the recent closing of most continental European markets, are the factors chiefly responsible for the loss of export trade in lard. Increased production of soybean oil in the United States in the past few years also has been a factor tending to weaken the price of lard.

Some improvement in the lard price situation is indicated by a probable reduction of about 10 percent in the size of the pig crop this year. This will be reflected in reduced lard output in the hog-marketing season beginning next October. Increased lard purchases for domestic relief distribution in recent months, the possibility of expanding lard shipments to Europe for distribution by the Red Cross, as well as increased European purchases if the war should end, and the further strengthening in domestic demand which will result in part from increased Government expenditures for defense purposes, also are favorable factors.

The acreage of soybeans for harvest, on the other hand, is estimated to be 14 percent larger this year than last. Peanut and cotton acreages also are estimated to be somewhat larger than a year earlier. If the war in Europe should continue through the 1940-41 marketing season, an important outlet for domestic soybeans would be virtually lost, with the result that a much larger quantity of soybean oil would be available for domestic consumption in the season beginning October than in the current season.

A production of approximately 29 million bushels of flaxseed is indicated by the July 1 crop report. Such an output would be the largest since 1924 and the third largest on record. With a crop of this size, import requirements for flaxseed in the 1940-41 season would be the smallest in several years.

FRUITS

Fruit supplies in general this season are indicated to be slightly smaller than a year earlier, but partly because of some reductions in the quantities used for canning and drying and partly because of reduced export prospects, available supplies of fresh fruit for domestic consumption are likely to be slightly larger than in the 1939 season.

Production of the citrus fruits, pears, and strawberries is indicated to be larger than a year earlier, but the output of most other fruits probably will be smaller. July 1 condition of the commercial apple crop averaged 59 percent compared with 64 percent a year earlier. Production of peaches this season is down 14 percent from last year's large crop but that of pears is increased slightly. Production of grapes, plums, prunes, and cherries is indicated to be slightly smaller than a year earlier. The California apricot crop is the smallest since 1921.

Ordinarily these prospective crops could be marketed with little difficulty, but the disruptions to the export movement this season occasioned by the

war are likely to have the effect of reducing the canning and drying demand, and to result in a greater proportion of most fruits to be available for the domestic fresh market. The total supply of fresh fruits during the 1940 season is likely to be as large or larger than that of the 1939 season. Exports of fresh fruit during the 1940 season probably will be smaller than those of last season.

Market prices of most fruits have declined sharply in recent weeks, as a result of greater than seasonal increases in marketings. Auction prices of citrus fruits in particular have declined rapidly in recent weeks.

TRUCK CROPS

The flow of truck crops to market has finally recovered from the effects of the late winter and spring freezes, and has resulted in a sharp increase in marketings. Prices declined precipitously in recent weeks, and in early July those of many commodities averaged below a year earlier.

Market supplies are now moving in large volume from the market garden areas and from States adjoining the large industrial centers of the country. Truck-crop supplies usually reach a peak in the summer months, and it appears that supplies this summer will be plentiful. The supply of snap beans, beets, cabbage, celery, cauliflower, lettuce, and green peas is increasing. As compared with last year, summer production of commercial truck crops probably will be increased 13 percent this season. Increases are reported for lima beans, beets, cantaloups, carrots, sweet corn, lettuce, onions, peppers, spinach, tomatoes and watermelons, but decreases are indicated for cabbage, celery, cucumbers, eggplant, and green peas.

For the late States, acreage reports indicate increases in prospect for cabbage, cantaloups, cucumbers, peppers, and tomatoes. For the country as a whole a preliminary estimate of the acreage planted to truck crops for market in 1940 is about 3 percent less than that of 1939 but about 8 percent above the 10-year (1929-38) average acreage. Decreases are reported for the South Atlantic, South Central, and Western groups of States. An increase is reported for the North Atlantic group, while the North Central States show no change.

POTATOES

The supply of potatoes for marketing during the remainder of the summer is indicated to be almost one-fourth larger than that available for the corresponding period a year earlier. Shipments of the commercial portion of this intermediate crop are now in full swing, and the heavy marketings have forced prices downward in recent weeks.

The total intermediate potato crop is indicated at 34.5 million bushels this season, or 6.8 million bushels more than was produced last season. The commercial portion of this crop totals 19.2 million bushels compared with 15.8 million last season and the 10-year (1929-38) average of 20 million bushels. Substantial increases over last season are indicated in Virginia, Maryland, and New Jersey.

The late crop in the Northern States, heavy marketings from which begin in September, is indicated to total 277 million bushels this season compared with 279 million bushels in 1939 and the 10-year (1929-38) average of 291 million bushels. A slight increase over last year in prospective production in the 8 Eastern States is more than offset by slight decreases in the 10 Central and 12 Western States. For the late States as a group the acreage remaining for harvest is increased slightly but yield prospects are slightly below the relatively high yields obtained last season.

Aside from the increased supplies of intermediate potatoes available for summer marketings, present indications point to a market situation during the next 8 months much like that of the previous season. The winter market situation, however, will depend largely upon the final outturn of the late crop. A favorable factor is the prospect for somewhat higher consumer purchasing power than a year earlier.

THE DEFENSE PROGRAM AND PRICE INFLATION

Large projected increases in Government spending for defense have aroused some concern over the possibility of serious price inflation. An adequate examination of this question would require detailed analysis of many different conditions having a bearing on the problem. Moreover, these conditions may change so rapidly in the present unsettled world situation that any conclusions reached today may have to be revised tomorrow. Nevertheless, some general observations on the subject at this time may be helpful to readers of the Demand and Price Situation. Since this is one of the more controversial fields of economic analysis, no doubt many economists will not agree with all of the conclusions reached herein. The latter should be viewed as only the writer's tentative opinions, with which other price analysts of the Bureau may not be in agreement.

Forces potentially contributing to marked changes of the price level within a country may be classified as external and internal. The former include forces which affect "world prices" of commodities, such as widespread wars leading to general credit expansion and increased buying by importing nations together with increased difficulties in obtaining supplies from exporting countries. In the present European war, carefully controlled buying by the belligerent nations in a position to import from distant producing areas, together with the availability of relatively large supplies of many commodities, has precluded world-wide inflation of commodity prices. If Great Britain is able to continue the fight, it seems likely that the physical limitations on quantities of world commodities which that country can use, together with the cutting off of continental European import markets by the British blockade, would continue to preclude any marked rise in commodity prices in surplus-producing nations as a result of European war demand.

No one can foretell with any confidence the probable character of international trade if Britain capitulates, but it now seems likely that barter agreements, the use of national import requirements of European countries to further political deals, and other interferences with the normal competitive movement of commodities in world trade will be encountered for some time to come. These conditions are hardly likely to bring about a marked general rise in commodity prices, although it is possible that the rehabilitation of war-torn countries will mean a temporary expansion of demand and trade if means of financing European imports can be found. The most logical present interpretation of these conditions would seem to be that they will not lead to any general world-wide price inflation affecting the United States.

The possibilities of price inflation in this country as a result of internal conditions appear to be greater. Yet it must be recognized, at the outset, that price inflation brought about by internal conditions within a country is importantly conditioned by factors connected with its foreign trade. Many of the more important raw materials used in the United States are either imported or exported. With settlement of the European war, finished goods of many types also would be available for import into this country if prices were sufficiently attractive. If the general price level in the United States continued to rise sharply as a process of transmission

from one commodity and cost item to another, the chain of events would be broken frequently by the impact of actual or potential foreign supplies. Increased prices in this country would draw in from abroad larger quantities of goods, both those now imported and commodities now produced only domestically. The higher domestic prices also would tend to decrease our exports. Obviously, prices of these internationally traded commodities constituting so many important links in the price chain within the United States could not continue to rise sharply if imports continued to increase and to add to supplies in this country, and if decreases in the exports of our surplus products exerted a downward pressure from the supply side on domestic prices of these commodities.

Ordinarily, when price inflation occurs due to internal causes, one or both of two conditions operate to hold down imports and to support exports sufficiently to permit the internal rise of prices. The first is a rise in prices of the affected commodities in other countries. This tends to occur if the nation in question is of large importance as an importer and exporter. The only important alternative, if prices are to continue advancing within the country unimpeded by vastly increased imports and decreased exports, is a decrease in the value of the country's currency in terms of the currencies of other countries. For example, in the case of the German inflation following the World War, imports were prevented from flooding German markets by the decline in the external value of the mark, which offset the rise in prices in terms of the mark. In view of the large gold stocks and other financial resources of the United States, and the relatively high opinion in which the future financial stability of this country is held, it is certainly very unlikely that the value of the dollar will depreciate drastically under world conditions such as those outlined above. Nor, does it seem likely that a rise in prices in the United States could by itself pull up world prices of the commodities we import and export to the extent that would be necessary to sustain internal price inflation against greatly increased imports and decreased exports.

It appears, therefore, that general world economic conditions which are likely to prevail within the next several years seem likely to act as a rather effective brake upon any price inflation within the United States which otherwise might occur as a result of internal developments. Nevertheless, they would not necessarily prevent a considerable price rise.

Those who expect a marked rise in the general price level as a result of our defense preparations point to our large monetary gold stocks and unused credit resources which have been built up during the past 7 years, and to the prospective increases in the demand for raw materials and finished products of various kinds in filling Government orders for armaments. The tremendous potential credit resources of the country have for a number of years been the basis for periodic fears of uncontrolled inflation. But the experience of these years seems to have demonstrated rather conclusively that the demand for credit is just as important as the supply of it as a factor affecting inflation. Now, it is thought by some, the defense program, coming on top of an already expanded volume of industrial production for other uses, will result in a sufficient increase in demand to induce a large expansion of credit and "inflation" of commodity prices.

It has frequently been said that inflation could not "take hold" in this country until the vast unused supply of labor and plant capacity approached full utilization. We should not overlook the fact, however, that all industries do not go up and down together, or at least not in the same proportion. The armament program will be instrumental in stimulating certain industries, such as machine tools, airplanes, ship building, motorized equipment and steel. Bottlenecks undoubtedly will develop in some of these lines. This, it is argued by some, will give rise to rapid increases in the wages of certain kinds of skilled labor, and in the prices of some of the raw materials and finished products involved. These price increases, it is further believed, will spread from one commodity and category of labor to another, particularly as the cost of living becomes affected by results of the defense program on lines of activity also engaged in producing consumers' goods (for example, materials used both for armaments and for plumbing and heating equipment). An example of this spread of price increases from one part of the economic system to another is found in the rise of cotton prices during the World War, despite depleted export outlets.

It is doubtful, however, that increases in the wages of skilled tool makers or other mechanics can greatly affect wages in other employment groups as long as such large unused labor supplies prevail. The influx of workers from other groups to the few lines in which shortages will occur could hardly be sufficient, within a relatively short period of time, to bring about marked increases in wage rates in the other groups as a result of labor shortages therein. A general increase in wage rates, and hence in labor costs of producing general commodities, might come, however, as a result of increases in the cost of living. Under prevailing attitudes of employers and the public toward labor problems, a rise in living costs would be likely to bring successful demands for wage increases even though unemployment continued to prevail in the occupations affected. The question then arises, will the production of armaments so interfere with the output of consumers' goods, or with the cost of raw materials going into such goods, that supply shortages will develop and prices rise materially, contributing to a higher cost of living? At the present moment, at least, this hardly seems a probability, although it is a possibility.

Increased production of army motorized equipment, for example, may tax the production facilities of automotive companies or parts makers, leading to an increase in the price of automobiles. On the other hand, automobile output has been at a relatively high level for some time, and the defense orders may do little more than make up for a decline in output which otherwise might have come as a result of decreased domestic buying of passenger cars and decreased exports to Europe. Building costs, and prices of many miscellaneous commodities such as electric refrigerators, may be affected by increases in the price of some materials such as steel. It is significant, however, that steel prices thus far have not responded to sharply increased rates of output and conditions which under circumstances prevailing in previous years might have resulted in appreciable price advances. No doubt the general public and governmental attitude toward price advances in the case of "administratively priced" products will have some influence in this regard. Other reasons why defense orders may not greatly affect the supply of specific

consumers' goods may be found, as in the case of textiles, where Government orders have come as a much needed stimulus to an industry which seemed headed otherwise for a period of declining operations.

The probabilities, however, seem to favor moderate increases in the prices of some kinds of goods during the next year or two. Prices of many finished goods could rise at present without inducing imports, because normal potential sources have been cut off by war developments; but ending of the European war may be followed shortly by increased competition in our own as well as world markets by subsidized foreign manufacturers. Competition from foreign producers of some important raw materials may be even greater. It is also important to remember that, with depleted foreign markets for farm products, a very large internal pressure would be necessary to raise prices of these commodities which are on an actual or potential import or export basis. It would appear, therefore, that as price increases for some commodities began to be transmitted through the economic system in the way which normally occurs during rapid upswings, great resistance would be encountered in important categories of commodities. These resistances will at least partly offset the influence of bottleneck developments in other lines.

Of course, if as a result of further unfavorable international developments United States imports of many goods should be seriously curtailed by restrictions of various kinds, the prices of the products so affected would rise, and this would tend to facilitate price inflation arising out of the internal conditions outlined above. On the other hand, these same impediments to our foreign trade might give rise to a further reduction in exports of our surplus commodities, which would have the opposite tendency of holding down the spread of price advances.

Summarizing: Our understanding of the monetary and nonmonetary conditions associated with marked changes in the general level of prices is still hazy in many respects, constituting one of the most debatable fields of theoretical and applied economics. Both domestic and international conditions are shifting so rapidly as to make any kind of forecast for a relatively long period highly conjectural. Despite these uncertainties, we may conclude with some confidence that no marked price inflation within the United States is likely to occur as a result of the defense program as now projected.

On the contrary, there is a possibility that in the event of complete German domination of Europe and the British Isles, accompanied by the introduction of totalitarian methods of trade in many other parts of the world, a period of price weakness might ensue. After all, domestic defense expenditures will represent a relatively small proportion of the total demand for major commodities produced in or imported into this country. Any severe and long-continued interruption of normal world outlets for a considerable number of these products would set up strong influences tending toward a lower general level of prices. This would depend, however, in large measure upon policies adopted by other nations about which we can only guess at the present time.

F. L. THOMSEN.

Year and month	: : Con- : :		: : Fac- : :		: : Income : :		: : Volume : :		: : Whole- : :		: : Prices : :		: : Ratio : :	
	Indus- : trial : produc- : tion : 1/	struc- : tion : con- : tracts : awarded : 2/	Fac- : tory : employ- : ment : 2/	Fac- : tory : pay- : rolls : 2/	Income : of in- : dustrial : workers : 3/	Volume : of agri- : cultural : exports : 4/	Whole- : sale : prices : of all : commod- : ities : 5/	Prices : re- : ceived : by far- : mers : 7/	Prices : paid : by far- : mers : 7/	Prices : of : prices : received : to : prices : paid : 8/	Prices : re- : ceived : by far- : mers : 7/	Prices : paid : by far- : mers : 7/	Prices : of : prices : received : to : prices : paid : 8/	
Base period :	1923-25	1923-25	1923-25	1923-25	1924-29	1910-14	1910-14	1913	1910-14	1910-14	1910-14	1910-14	1924-29	
1929	119	117	106	110	107	107	139	166	146	153	95	104		
1930	96	92	92	89	88	82	126	158	126	145	87	83		
1931	81	63	78	68	67	88	107	130	87	124	70	58		
1932	64	28	66	47	46	94	95	108	65	107	61	44		
1933	76	25	73	50	48	85	96	105	70	109	64	49		
1934	79	32	86	64	61	66	109	117	90	123	73	58		
1935	90	37	91	74	69	61	117	128	108	125	86	65		
1936	105	55	99	86	80	55	118	130	114	124	92	76		
1937	110	59	109	102	94	65	126	135	121	130	93	81		
1938	86	64	90	78	73	75	115	125	95	122	78	71		
1939	105	72	97	91	83	65	113	122	93	121	77	72		
1939 -														
Jan.	101	86	95	87	80	61	112	123	94	120	78	76		
Feb.	99	73	94	86	79	66	112	122	92	120	77	73		
Mar.	98	69	94	85	79	69	112	121	91	120	76	72		
Apr.	92	67	94	84	75	55	111	121	89	120	74	68		
May	92	63	93	84	75	62	111	121	90	120	75	70		
June	98	63	94	86	80	46	110	121	89	120	74	64		
July	101	67	95	87	80	51	110	121	89	120	74	63		
Aug.	103	73	96	90	83	63	109	119	88	119	74	66		
Sept.	111	73	98	93	86	81	115	125	98	122	80	74		
Oct.	121	76	101	100	91	82	116	124	97	122	80	76		
Nov.	124	83	103	103	93	56	116	123	97	122	80	76		
Dec.	128	86	105	104	93	75	116	122	96	122	79	79		
1940 -														
Jan.	119	75	104	102	93	105	116	122	99	122	81	79		
Feb.	109	63	102	98	89	104	115	124	101	122	83	84		
Mar.	104	62	100	95	87	68	114	122	97	123	79	76		
Apr.	102	64	99	95	86	61	115	124	98	123	80	82		
May	106	65	99	95	87	47	114	125	98	123	80	80		
June	115						113		95	123	77			

Continued --

Continued -

Economic trends affecting agriculture - Continued

- 1/ Federal Reserve Board, adjusted for seasonal variation.
- 2/ Bureau of Labor Statistics, adjusted for seasonal variation (employment adjusted by Federal Reserve and payrolls by Bureau of Agricultural Economics).
- 3/ Adjusted for seasonal variations. Includes factory, railroad, and mining employees.
- 4/ Foreign Agricultural Relations, July 1909-June 1914 = 100, adjusted for seasonal variation.
- 5/ Bureau of Labor Statistics, 1926 = 100, converted to 1910-14 = 100.
- 6/ Bureau of Labor Statistics, 1923-25 = 100, converted to 1913 = 100.
- 7/ August 1909 - July 1914 = 100.
- 8/ Adjusted for seasonal variation. Revised March 1940.
- 9/ Preliminary.

Note: In comparing trends between industrial production and industrial workers' income, as indicated by the above index numbers, notice should be taken of the different base periods used, and of the fact that income of railway workers, as well as incomes of mining and factory workers, is included in the index of industrial workers' income, whereas the industrial production index is based on mining and manufacturing only. Similar precautions are necessary in comparing trends between industrial production and factory employment and payrolls. The base periods are the same, but the production index includes minerals as well as factory products. Another consideration of importance is that the production index is based on volume, whereas the income indexes are affected by changes in wage rates as well as by time worked. In comparing monthly indexes it is important to keep in mind the fact that there is usually a time lag between changes in volume of production and similar changes in employment and in workers' income.